

Florida 2-14 Life Insurance License (214 License) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What is generally the primary benefit of a term life insurance policy?**
 - A. Permanent coverage for life**
 - B. Lower initial premiums**
 - C. Cash value accumulation**
 - D. Investment opportunities**
- 2. What type of policy should an architecture firm purchase on its project manager to mitigate financial loss in case of death?**
 - A. Whole Life Policy**
 - B. Term Life Policy**
 - C. Key Person Life Policy**
 - D. Group Life Policy**
- 3. For how long must every resident agent maintain transaction records under their license?**
 - A. 3 years**
 - B. 5 years**
 - C. 7 years**
 - D. 10 years**
- 4. Who benefits from Investor-Originated Life Insurance (IOLI) upon the insured's death?**
 - A. The Beneficiary**
 - B. The Insurance Company**
 - C. The Policyowner (investor)**
 - D. The State**
- 5. What retirement plan can a sole proprietor use, provided their employees are included?**
 - A. Traditional IRA**
 - B. Roth IRA**
 - C. Keogh Pension Plan**
 - D. 401(k) Plan**

- 6. When funds are shifted directly from one IRA to another, what percentage of tax is withheld?**
- A. 10%**
 - B. 20%**
 - C. None**
 - D. 30%**
- 7. In life insurance, insurable interest must exist:**
- A. Only at the time of claim**
 - B. When the policy is issued**
 - C. At the time of application**
 - D. Throughout the life of the policy**
- 8. What term describes the action taken by a policyowner when using a life insurance policy as collateral for a loan?**
- A. Collateral Assignment**
 - B. Loan Assignment**
 - C. Policy Surrender**
 - D. Premium Assignment**
- 9. By what date must Traditional IRA distributions start for participants who are 70 1/2 years old?**
- A. March 1st**
 - B. April 1st**
 - C. June 1st**
 - D. December 1st**
- 10. In the context of life insurance, what does "grace period" refer to?**
- A. The period before a policy is enforced**
 - B. The time frame allowed for premium payment after due date**
 - C. The duration a policy remains active without any payment**
 - D. The period for converting term insurance to whole life**

Answers

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- 1. B**
- 2. C**
- 3. B**
- 4. C**
- 5. C**
- 6. C**
- 7. C**
- 8. A**
- 9. B**
- 10. B**

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Explanations

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1. What is generally the primary benefit of a term life insurance policy?

- A. Permanent coverage for life**
- B. Lower initial premiums**
- C. Cash value accumulation**
- D. Investment opportunities**

The primary benefit of a term life insurance policy is indeed the lower initial premiums. Term life insurance is designed to provide coverage for a specified period, or term, such as 10, 20, or 30 years, and it typically offers significantly lower premiums compared to whole life or universal life policies. This affordability makes term life insurance accessible for many individuals who need protection for their family's financial future without the higher costs associated with permanent life insurance policies. This lower premium structure is particularly advantageous for individuals who may have tight budgets but still require a significant amount of life insurance coverage to protect their loved ones. Additionally, since term life does not accumulate cash value like whole life policies, all of the premiums go directly toward providing the death benefit during the coverage period, contributing to its low cost. Permanent coverage for life, cash value accumulation, and investment opportunities are characteristics associated with whole life or universal life insurance policies, which typically have higher premiums and different structures compared to term life.

2. What type of policy should an architecture firm purchase on its project manager to mitigate financial loss in case of death?

- A. Whole Life Policy**
- B. Term Life Policy**
- C. Key Person Life Policy**
- D. Group Life Policy**

A Key Person Life Policy is the appropriate choice for an architecture firm looking to protect itself financially in the event of the death of its project manager. This type of insurance is specifically designed to cover the financial losses a business might experience due to the loss of a crucial employee whose expertise is vital to the company's functioning. By purchasing a Key Person Life Policy, the firm can ensure that it has the necessary financial resources to manage the transition, cover any potential loss of revenue, and find a suitable replacement. The death benefit paid out by the policy can help the firm address the immediate financial impact, such as lost contracts or client relationships, which might result from the absence of a key individual. While whole life and term life policies provide life insurance coverage, they are not tailored to the specific needs of a business for mitigating financial risk related to losing a key employee. Group life policies generally offer coverage to a group of employees without addressing the specific needs that arise from losing an essential staff member. Thus, the Key Person Life Policy stands out as the most fitting solution for this scenario.

3. For how long must every resident agent maintain transaction records under their license?

- A. 3 years**
- B. 5 years**
- C. 7 years**
- D. 10 years**

The correct answer, which states that every resident agent must maintain transaction records under their license for 5 years, aligns with regulatory requirements set forth by authorities in the insurance industry. This duration allows for a comprehensive review of the agent's business practices, ensuring compliance with laws and regulations, as well as providing a means to address any disputes or issues that may arise regarding transactions that the agent has conducted. Recording transactions for this time period is essential for accountability and transparency within the insurance field. It ensures that agents are prepared for any audits or investigations and can provide necessary documentation to customers or regulatory bodies when required. A 5-year record-keeping requirement strikes a balance, providing ample time to manage and reference transactions while not being overly burdensome for the agents. Some states or certain regulations may have different requirements, which is why understanding the specific regulations governing your state, in this case, Florida, is important for compliance. Other durations, such as 3, 7, or 10 years, reflect different standards which may apply in other contexts or industries, but for this particular scenario, 5 years is the established and correct timeframe.

4. Who benefits from Investor-Originated Life Insurance (IOLI) upon the insured's death?

- A. The Beneficiary**
- B. The Insurance Company**
- C. The Policyowner (investor)**
- D. The State**

Investor-Originated Life Insurance (IOLI) is a type of life insurance policy where an investor, who is not necessarily related to or has any personal interest in the insured, purchases a life insurance policy on the life of the insured party. When the insured passes away, the investor, as the policyowner, receives the death benefit. This structure is designed to capitalize on the life insurance payout for profit, making the investor the primary beneficiary in a sense, as they gain financially from the policy. The insurance company pays out the death benefit to the policyowner, who in this case is the investor, rather than the insured or their family. This differs from traditional life insurance policies, where the insured's beneficiaries, typically family members, would receive the death benefit. Understanding this dynamic is crucial in recognizing the unique nature of IOLI compared to standard life insurance arrangements, which are usually predicated on familial or closely connected relationships between the insured and the beneficiaries.

5. What retirement plan can a sole proprietor use, provided their employees are included?

- A. Traditional IRA**
- B. Roth IRA**
- C. Keogh Pension Plan**
- D. 401(k) Plan**

A Keogh Pension Plan, also known as a HR10 plan, is specifically designed for self-employed individuals and sole proprietors, allowing them to contribute towards their retirement while also including their employees in the plan. This type of plan offers high contribution limits, enabling business owners to save a significant amount for retirement, and it can be either defined contribution or defined benefit in nature. For a sole proprietor looking to provide retirement benefits to themselves and their employees, the Keogh Plan allows for a structured retirement savings vehicle that aligns with this objective. It includes certain tax advantages, such as tax-deductible contributions, which further incentivize saving for retirement. While traditional and Roth IRAs are options for individual retirement savings, they do not provide the same opportunity for employer contributions or for including employees in the plan effectively as a Keogh Plan does. A 401(k) Plan is typically suited for businesses with multiple employees and can be quite complicated in terms of setup and administrative requirements compared to the Keogh option. Therefore, the Keogh Pension Plan stands out as the most appropriate solution for a sole proprietor who wants to include their employees in a retirement plan.

6. When funds are shifted directly from one IRA to another, what percentage of tax is withheld?

- A. 10%**
- B. 20%**
- C. None**
- D. 30%**

When funds are shifted directly from one Individual Retirement Account (IRA) to another, the transaction is known as a direct transfer or custodian-to-custodian transfer. In this scenario, the funds move directly between the financial institutions without the account owner taking possession of the money. Because the individual does not receive any cash and the funds are transferred directly, there are no tax implications at the time of the transfer, and therefore, no tax is withheld. This rule applies specifically to direct transfers, which are treated as non-taxable events. On the other hand, if an individual were to withdraw funds from one IRA and then deposit them into another, that would be considered an indirect transfer. In the case of an indirect transfer, 20% would typically be withheld for federal taxes because the account owner has taken possession of the funds, which can be mismanaged or delayed, potentially leading to tax consequences if not rolled over within the allowed timeframe. Thus, in a direct transfer from one IRA to another, no percentage of tax is withheld, making "none" the correct answer.

7. In life insurance, insurable interest must exist:

- A. Only at the time of claim**
- B. When the policy is issued**
- C. At the time of application**
- D. Throughout the life of the policy**

In life insurance, insurable interest is a fundamental requirement that ensures the policyholder has a legitimate stake in the life of the insured person. This concept is particularly important because it helps prevent insurance from becoming a vehicle for gambling on someone's life. The correct answer indicates that insurable interest must exist at the time of application. This means that when a person applies for a life insurance policy, they must demonstrate that they have a valid interest in the continued life of the insured. Typically, this requirement is fulfilled by showing a relationship such as that of a spouse, parent, child, or business partner, where a potential loss would have a financial impact on the policyholder. If insurable interest is not present at the time of application, the policy may be considered void or, at the very least, may not be enforceable. This ensures that life insurance maintains its purpose as a protective financial instrument rather than a speculative investment. Other options do not accurately reflect the requirement of insurable interest in life insurance. The idea that it is necessary only at the time of claim would allow individuals to benefit from policies without a legitimate connection to the insured, which the legal framework aims to prevent. Similarly, saying it is necessary only when the policy is issued overlooks the critical

8. What term describes the action taken by a policyowner when using a life insurance policy as collateral for a loan?

- A. Collateral Assignment**
- B. Loan Assignment**
- C. Policy Surrender**
- D. Premium Assignment**

The action taken by a policyowner when using a life insurance policy as collateral for a loan is referred to as collateral assignment. This term specifically describes the process whereby the policyowner temporarily assigns rights or benefits of the life insurance policy to a lender as security for the loan. In the case of default on the loan, the lender has the right to claim the death benefit or cash value of the policy to recoup the owed amount. Collateral assignment is often used because it allows the policyowner to retain ownership of the policy while securing a loan, making it a common practice in financial transactions. The assignment is typically revocable, meaning once the loan is repaid, the rights can revert to the original policyowner. The other terms mentioned do not accurately describe this specific action. For instance, loan assignment suggests a transfer of responsibilities related to the loan itself, while policy surrender refers to the policyowner canceling the policy for its cash value. Premium assignment is unrelated, as it involves the payment method for policy premiums and does not pertain to using the policy as collateral.

9. By what date must Traditional IRA distributions start for participants who are 70 1/2 years old?

- A. March 1st**
- B. April 1st**
- C. June 1st**
- D. December 1st**

For individuals who have a Traditional IRA, the requirement is that distributions must start by April 1st of the year following the year they turn 70 1/2 years old. This regulation ensures that individuals begin taking minimum distributions from their retirement accounts, as the IRS requires these accounts to eventually be depleted rather than allowing them to grow indefinitely without taxation. Beginning the year they reach the age of 70 1/2, individuals can expect to manage their retirement savings by taking the required minimum distributions (RMDs). The consequence of not taking these distributions can be severe, potentially leading to penalties equal to 50% of the amount that should have been withdrawn. The choice of April 1st is particularly relevant because it aligns with the IRS policy designed to incentivize individuals to use their retirement savings during their retirement years, ensuring that tax liabilities are realized over the individual's lifetime rather than deferring them indefinitely.

10. In the context of life insurance, what does "grace period" refer to?

- A. The period before a policy is enforced**
- B. The time frame allowed for premium payment after due date**
- C. The duration a policy remains active without any payment**
- D. The period for converting term insurance to whole life**

The term "grace period" in the context of life insurance specifically refers to the time frame allowed for premium payment after the due date has passed. During this grace period, if the insured fails to pay their premium by the due date, the policy does not immediately lapse. Instead, the insured has a specified additional period in which they can make their payment without losing coverage. This period is typically 30 days but can vary depending on the insurance company and policy terms. Understanding the concept of a grace period is crucial as it provides a safety net for policyholders, ensuring that they have a chance to maintain their coverage even if they miss the initial payment deadline. It is important to recognize that once this grace period has expired, if no payment is made, the policy may lapse, resulting in the loss of coverage and benefits. The other options presented do not accurately describe the grace period: the enforcement of a policy generally occurs at the effective date, while a policy remaining active without payment extends beyond the grace period, and the conversion of term insurance to whole life is a separate process that has its own conditions and timeframes.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://florida214insurance.examzify.com>

We wish you the very best on your exam journey. You've got this!

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